

Summary of Convention Hotel Sources of Funds, Development Incentives and Risk Mitigants

Prepared by Finance Department

December 4, 2017

Convention Center Hotel – Sources*

(in thousands)

Sources:	
Equity	\$59,658
First Mortgage	\$110,000
LCRA – Series A Bonds	\$35,940
LCRA – Series B Bonds	\$43,060
NBH Loan	\$32,000
City Cash	\$35,000
City Land Contribution	<u>\$7,000</u>
TOTAL	\$322,658

*Prepared by Developer.

Equity

- Equity - \$59.7 million
 - Loews Hotels Group Inc.
 - KC Hotel Group, LLC
- Independently verified (on behalf of City) pursuant to master financing agreement (MFA), by Stifel Nicolaus.

First Mortgage

- \$110 million credit facility
- Lender – Wells Fargo
- Not more than 55% loan to value (LTV)
- Security for loan – First mortgage on the property
- Repayments Source(s) – Net operating income of the hotel
- Term – 4 years plus 1 year extension option
- Interest Rate LIBOR+3.50%

LCRA – Series A Bonds

- Par Amount - \$51.9 million
- Construction Fund – \$35.94 million
- Security for bonds – CID Special Assessments
- Repayment Source(s) – CID Special Assessments
- Term - 30 year
- Average annual debt service coverage – 6.1x

LCRA – Series B Bonds

- Par Amount - \$58.9 million
- Construction Fund – \$43.06 million
- Security for bonds – Pledged economic activity taxes (EATs)
- Repayment Source(s) – City and County EATs
- Term – 30 years
- Average annual debt service coverage – 1.6x

NBH Loan

- Lender – NBH Bank
- \$36 million credit facility
- Construction fund - \$32 million
- Security for loan - City catering payments, subject to annual appropriation
- Repayment Source(s) – Catering revenues; if insufficient convention and tourism taxes or general municipal revenues
- Term – 15 years
- Annual catering payment – \$1.9 million to \$4.6 million, per schedule in master financing agreement (MFA).

City Cash

- \$35 million
- Special obligation bond issue
- Secured by City's annual appropriation pledge
- Repayment Source(s) – convention and tourism taxes; if insufficient other general municipal revenues
- Term – 20 years
- Average annual debt service - \$2.7 million

City Land Contribution

- \$7 million
- Legal description
- Lien cleared from AMBAC Assurance Co.
- Property released from AMBAC collateral package
- Property ready for delivery to Developer

Development Incentives

- Land - \$7 million
- City Contribution - \$35 million
- Contract Payments - \$52 million
- TIF EATs (23 years)
- Super TIF EATs (30 years)
- Community Improvement District (50 years)
 - 1% Sales Tax
 - Special Assessments on Real Property
- Real property tax exemption (30 years)
- Personal property tax exemption (6 years)

Risk Mitigants

- Guaranteed Maximum Price
- Cost overruns covered by Developer
- Completion Guaranty
- Liquidated Damages
- Intercreditor Agreement
- Super TIF Offset (to the extent available)